

Rate Development for Statewide Fixed Costs

OBPP sends out a guideline memo early in the budgeting process for how agencies are to establish rates.

Guiding Principles

17-7-123, MCA ... fees and charges in the internal service fund type, including changes in the level of fees and charges, projected use of the fees and charges, and projected fund balances. Fees and charges in the internal service fund type must be approved by the legislature in the general appropriations act. Fees and charges in a biennium may not exceed the level approved by the legislature in the general appropriations act effective for that biennium.

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17-8-101, MCA... fees and charges for services deposited in the internal service fund type must be based upon commensurate costs. The legislative auditor, during regularly scheduled audits of state agencies, shall audit and report on the reasonableness of internal service fund type fees and charges and on the fund equity balances

OMB CIRCULAR A-87 (Cost Principles for State, Local, and Indian Tribal Governments). By following this circular we can charge federal funds for internal service operations.

- **Besides the Legislative Audit Division review of internal service funds, major internal service funds are reviewed by our federal Cognizant agency (USHHS) annually. This is part of Section 2 the Statewide Cost Allocation Plan (SWCAP) that is embedded in this OMB circular. Details must be provided as to each entities basis for their rate calculation(s).**

Rates are allocated on various factors to agencies such as square feet (Rent), FTE number of accounting transactions (SABHRS - Finance), Payroll Warrants (SABHRS HR). Value of buildings and number of cars (Insurance) , IT services based on hardware platforms and utilization (SITSD) , projected billable hours of audit costs (Legislative Audit)

The Budget Office does it best to try and hold the rates flat. We approve the rates to agencies in the early stage of agency budget development.

Rates are then built into agency budgets at a program level and funded with various funding sources.

As of Today, Department of Administration has led off for Section A. The committee has heard testimony and seen the detail of these budgets and approved all rates except Risk Management Tort Claims.

- The Executive is requesting a supplemental for \$26.8 to shore up the reserves in this Insurance fund. The A Subcommittee is investigating doing a general fund loan and then having agencies pay over a number of years.